

ISSN 1848-0071
331.55(1-773)=111
Received: 2013-06-31
Accepted: 2014-03-10
Review

REMITTANCES: IMPORTANCE, SOURCES & USE

YONES ALI ALAZOOZY

Technical university of Košice, Faculty of Economics, Department of Banking and Investment,
Košice, Slovakia

e-mail: alazoozey@yahoo.com

This paper focuses on the trends in remittances that are significant financial means for family members left behind and economy of the sending country as well as the host country. The main items that are obtained by the remittance money include construction, innovation, redoing of the houses of the migrants in the country of origin, education, health care, paying back loans and the others. Remittances sent from Oman to other countries have increased from \$801 million in 1988 to \$8 086 million in 2012. This makes it important to continue to analyse the potential of migrants' remittances to contribute to development of economy in the receiving country.

Key words: remittances, economic development, GDP.

Novčane doznake: važnost, izvori i korištenje. Ovaj rad se usredotočuje na trendove u slanju novčanih doznaka, koje predstavljaju značajna sredstva za članove obitelji koji su ostali u zemlji, te za ekonomije zemalja u koje se one šalju kao i za ekonomije zemalja iz kojih se šalju. Glavne stvari za koje se doznake koriste su izgradnja, obnova i popravljjanje kuća migranata u zemljama porijekla, obrazovanje, zdravstvena njega, vraćanje dugova i drugo. Visina doznaka iz Omana u druge zemlje porasla je od 801 milijuna američkih dolara u 1988. na 8.086 milijuna u 2012. Važno je nastaviti s analizama potencijala migrantskih doznaka kao doprinosa razvitku ekonomija zemalja u koje se one šalju.

Ključne riječi: novčane doznake, gospodarski razvoj, BDP.

INTRODUCTION

The aim of this paper is point out the main benefits and effects of migration and remittances, both inward and outward, on economy, society, and labour market in the host and sending countries. It also is meant to outline the impact of temporary drops in sending remittance money on the country of origin and the family members left behind. On the other hand, lack of interest in

working abroad on the side of migrants or changes in migrations regulations (stricter conditions for migrants) could affect the situation of the host country because some major migration destinations highly rely on workforces from abroad (e.g. there are not enough highly-skilled workers or specialists in the host country) [1].

TRENDS IN OUTWARD AND INWARD REMITTANCES IN ARAB COUNTRIES

There are steady remittances sending and receiving destinations in the Arab region. Rather remittances receiving countries, in which quantities of outward remittances reach very low or no values, include the following Arab countries: Algeria, Egypt, Morocco, Tunisia, Jordan, Syria and Yemen. Rather remittances sending countries comprise of Libya, Bahrain, Kuwait, Oman and Saudi Arabia. Iraq and Lebanon are countries which recorded very difference between inward and outward remittances.

The data on the inward remittances to Libya was only available between 2000 and 2006 and the amount was neglectable in comparison to the outward remittances. As it can be seen from Fig. 1, the outward remittances were fluctuating and they reached a peak in 2010 at value of over 1.6 billion dollars. However, the overall outward remittances have recorded increasing trend in both Libya, Oman, Saudi Arabia and Kuwait [2-4]

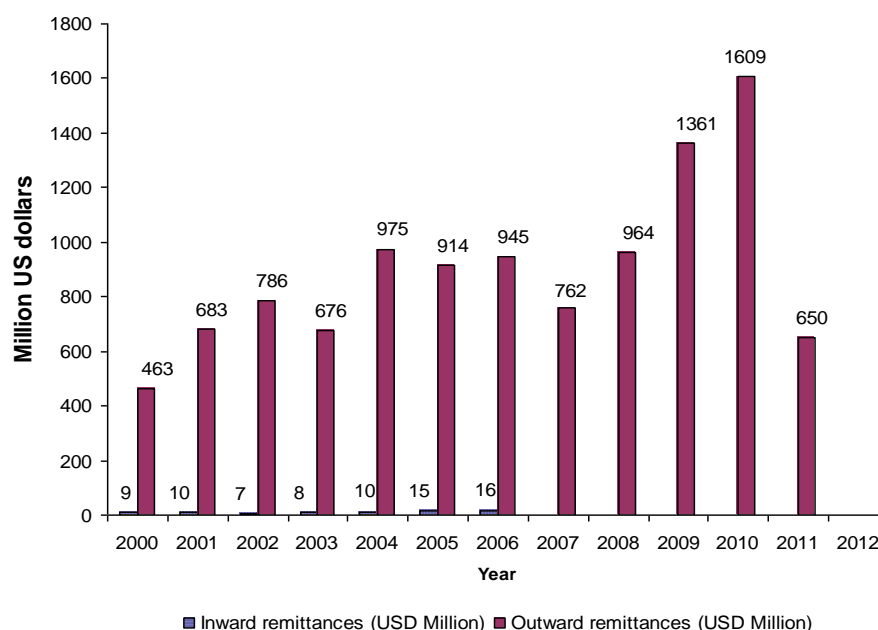


Figure 1. Inward and outward remittances to and from Libya, 2000 to 2012 [2]

Slika 1. Unutarnje i vanjske doznake u i iz Libije od 2000. do 2012. [2]

The inward remittances to Oman have been steady and stayed the same since 2000 and stand at 39 million dollars. As it can be seen from Fig. 2, the outward remittances

have gradually been rising since 2000. The main remittances beneficiary countries are India, Bangladesh, Pakistan, Egypt and others.

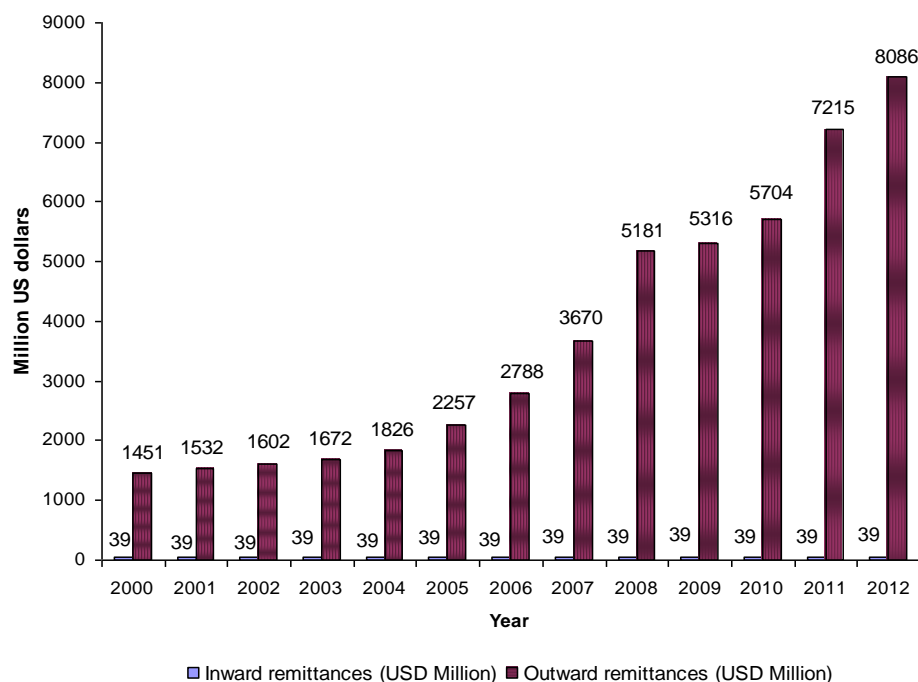


Figure 2. Inward and outward remittances to and from Oman, 2000 to 2012 [2]

Slika 2. Unutarnje i vanjske doznake u i iz Omana od 2000. do 2012. [2]

Table 1. A list of personal remittances in some selected Arab countries between 2000 and 2012, (% of GDP) [1, 2, 5]

Tablica 1. Osobne doznake u odabranim arapskim zemljama između 2000. i 2012. (% BDP-a) [1, 2, 5]

Year	Personal remittances (% of GDP)		
	Jordan	Lebanon	Morocco
2000	21.8	n/a	5.8
2001	22.4	n/a	8.6
2002	22.4	13.3	7.1
2003	21.6	23.6	7.3
2004	20.4	25.7	7.4
2005	19.9	22.5	7.7
2006	19.1	23.2	8.3
2007	20.1	23.0	8.9
2008	17.3	23.9	7.8
2009	15.1	21.8	6.9
2010	13.8	18.6	7.1
2011	12.0	17.2	7.3
2012	11.5	16.1	6.8

The significant impact of personal remittances sent by migrants to their home countries is obvious from the figures shown in Tab. 1. The shares of Jordan and Lebanon in GDP were very high. For instance, remittances sent to Jordan by migrants were 22.4 % in 2001 and 2002, which meant over one fifths of Gross Domestic Product of the country and temporary drop in this type of

income could negatively affect the economy of country or cause instability of economy, public administrative or political power. This amount of remittances has been going down since then but it still represents significant share in GDP of Jordan. [2, 6]

The outward remittance-sending Arab countries are displayed in tab. 2.

Table 2. Outward remittances flowing from Arab countries, million US dollars, 2012 [2, 6]

Tablica 2. Vanjske doznake iz arapskih zemalja, u milijunima američkih dolara, 2012. [2, 6]

Country	Million (US dollars)
Bahrain	-
Egypt	293
Jordan	460
Kuwait	15 935
Lebanon	-
Libya	-
Morocco	64
Oman	8 086
Qatar	10 842
Saudi Arabia	29 493
Sudan	8
Syria	-
Yemen	-

For instance, Indian migrants working in Bahrain sent home around 607 million USD out of the total outward remittances, 1 642 million USD, from Bahrain in 2010. They were followed by Pakistani migrants, 119 million USD, Philipinos with 112 million USD. Egyptians sent around 78 million USD from Bahrain and Iranians 25 million USD.

In the case of Kuwait, India was also the top remittance-sending country with 2 070 million dollars in 2010, followed by Bangladesh with 915 million dollars. Egyptians earned 813 million USD out of 11 770, which represented the total outward remittances from Bahrain, in 2010 [2, 7, 8,].

TRENDS IN OUTWARD AND INWARD REMITTANCES IN THE WORLD

Over the past fifteen years, international migrant remittances have become increasingly prominent. They rose from over 130 billion dollars in 2000 to over 548 billion dollars, which means over four-time increase. However, this amount only covers

inward remittances sent through official channels. It is assumed that over 50 per cent of remittances flows through unofficial or informal ways. [2, 9, 10].

The top remittance-sending countries of the world are shown in tab. 3.

Table 3. Top remittance-sending countries in the world, million US dollars, 2012 [2]

Tablica 3. Zemlje na svijetu iz kojih se šalje najviše doznaka, u milijunima američkih dolara, 2012. [2]

Country	Million (US dollars)
United States	51 093
Russia	31 648
Saudi Arabia	29 493
Switzerland	28 468
Kuwait	15 935
Germany	15 392
France	12 404
Luxembourg	10 976
Qatar	10 842
Italy	10 754
Netherlands	10 674
Spain	10 458
South Korea	10 084
Oman	8 086

In 2012, Mexicans received approximately \$23.5 billion from migrants working abroad, particularly from the United States [4]. The USA was in the first place out of the remittance sending countries due to its vast labour market and a lot of job opportunities in 2012. Russia is another attractive destination of labour migrants due

to its natural gas and petroleum reserves. The amounts of remittances transferred through official as well as unofficial routes reached 1,099 million dollars in 2000 and rose to value of over 31.6 billion dollars in 2012, a country with the second highest amounts of outward remittances in the world after the USA [2, 11, 12].

LINK BETWEEN REMITTANCES AND GDP

The theories regarding link between remittances and unemployment or their mutual interaction are difficult to be fully proved or denied due to lack of information on unemployment rate in the countries with the highest share of remittances in GDP. However, percentage of unemployment and

the inward remittances in USD and as % of GDP were compared in a particular year for a particular country but the examination does not show clear results. [7, 10, 2].

The highest shares of inward remittances in percentage of GDP by country are shown in tab. 4.

Table 4. Top remittance-receiving countries by % of GDP, 2012 [2]

Tablica 4. Zemlje koje primaju najviše doznaka prema postotku BDP-a, 2012. [2]

Country	Inward remittances (% of GDP)			
	2009	2010	2011	2012
Tajikistan	35.1	40.9	46.9	52.0
Kyrgyz	20.9	26.4	27.6	31.4
Nepal	23.2	21.7	22.1	25.3
Moldova	22.0	23.3	22.8	24.6
Samoa	23.9	21.3	22.1	23.2
Lesotho	31.9	27.7	25.7	22.6
Bermuda	23.2	22.0	22.6	21.8
Armenia	8.8	10.7	19.7	21.3
Haiti	21.3	22.2	21.1	20.6
Guyana	12.9	16.3	16.0	16.5
El Salvador	16.5	16.1	15.8	16.5
Kosovo	18.7	17.3	16.9	16.4
Lebanon	21.8	18.6	17.2	16.1
Honduras	17.1	16.6	16.0	15.8
Gambia	8.9	12.2	12.0	15.4
Jamaica	15.7	15.3	14.6	14.5
Tonga	22.6	20.6	16.5	12.6
Bangladesh	11.8	10.8	10.8	12.1
Jordan	15.1	13.8	12.0	11.5
Georgia	10.3	10.2	10.7	11.2
Bosnia and Herzegovina	12.5	10.9	10.7	10.6
Albania	10.9	9.7	8.7	8.1

For example, when percentage of inward remittances dropped, percentage of unemployment fell in Moldova, Armenia, AL Salvador, Honduras, Jamaica, Jordan,

Bosnia and Herzegovina and Albania in 2009 too. The similar situation was recorded with fall in percentage of GDP growth in Moldova, Armenia, El Salvador, Honduras,

Jamaica, Jordan, Bosnia and Herzegovina and Albania in 2009. Honduras, Jamaica, Bosnia and Herzegovina and Albania recorded rise in unemployment rate, which

might have also been caused by fall in inward remittances in 2010.

The unemployment rate in selected countries of the world is shown in tab. 5.

Table 5. Unemployment rate, %, 2012 [2]

Tablica 5. Stopa nezaposlenosti, %, 2012. [2]

Country	Unemployment (%)			
	2009	2010	2011	2012
Tajikistan	11.5	n/a	n/a	n/a
Kyrgyz	n/a	n/a	n/a	n/a
Nepal	n/a	n/a	n/a	n/a
Moldova	6.4	7.4	6.7	5.6
Samoa	n/a	n/a	5.7	n/a
Lesotho	n/a	n/a	n/a	n/a
Bermuda	n/a	n/a	n/a	n/a
Armenia	18.7	19.0	18.4	-
Haiti	n/a	n/a	n/a	n/a
Guyana	n/a	n/a	n/a	n/a
El Salvador	7.3	7.0	6.6	6.1
Kosovo	45.4	n/a	n/a	30.9
Lebanon	6.2	n/a	n/a	n/a
Honduras	3.3	4.8	4.4	n/a
Gambia	n/a	n/a	n/a	n/a
Jamaica	11.4	12.4	12.7	13.7
Tonga	n/a	n/a	n/a	n/a
Bangladesh	5.0	n/a	n/a	n/a
Jordan	12.9	12.5	12.9	12.2
Georgia	16.9	16.3	15.1	15.0
Bosnia and Herzegovina	24.1	27.2	27.6	28.1
Albania	13.8	14.2	n/a	n/a

However, percentage of unemployment increased with increase in percentage of inward remittances in Moldova and Armenia in 2010 and unemployment rate decreased with decrease in remittances in EL Salvador, Jordan and Georgia in 2010, which can be explained by various ways (migrants sent less remittances money to their home countries or the employers in their host countries decreased their wages or simply

used unofficial channels to transfer remittances or the family members left behind in the home country decided to leave the country of their origin, follow the migrant and move to the host country and therefore, there was drop in remittances). The similar situation was with percentage of GDP growth in 2010, 2011 and 2012 [7, 10].

LINK BETWEEN REMITTANCES AND HOUSEHOLD DEVELOPMENT, CONSUMPTION AND USE OF REMITTANCES

There are various studies that point out that remittances, which are sent by migrants to the rest of their family in the country of origin, have very positive impact on the standard of living, health and economic situation of family member left behind. They have a positive impact on economy of the country of origin as well. Remittances are usually used to pay off loans, get better health care, pay for food, pay tuition fees, buy a plot of land, repair, renovate, redo of houses, and other items.

On the other hand, it is highly likely that some of migrants who returned back home use the money they saved to start their own business or support existing business, invest in various assets (e.g. precious metals) and so on. [3].

However, the highest share in spending remittances is represented by the purpose of consumption and satisfaction of basic everyday needs of family members and relatives in the home country [3, 13].

CONCLUSION

The presented paper focused on the fact that remittances affect households and their budgets, the top remittances-sending countries, the way the remittances influence GDP of the migrants' home countries, uses of remittances sent by migrants to their family members left in home country. Apart from providing food security to the households, if remittances are used for improving skills and productivity of the recipients, they will have more sustainable impact on improvements of standard of living. Therefore, it is necessary point out

that any change in amounts of remittance money or migration restrictions could negatively affect residents and economy of the receiving country. However, it should be mentioned that more strict migration rules could have negative impact on the host country's labour market, mostly the branches of industry that require and have lack of skilled employees of very high level of expertise. As it can be concluded, some countries would not be able or struggling to survive, if remittances stopped flowing to them.

REFERENCES

1. R. Chami, C. Fullenkamp, S. Jahjah: Are Immigrant Remittance Flows a Source of Capital for Development?, International Monetary Fund (IMF) working Paper, 2003, 03/189.
2. THE WORLD BANK. Indicators. 2012
3. Y. A. Alazoozy, V. Gazda: Remittances and economic development, *Strojárstvo Extra*, 7-8 (2012), 1-3.
4. <http://www.economist.com/node/21553458>

5. INTERNATIONAL MONETARY FUND. Sending Money Home, December 2005, Volume 42, Number 4. Washington D.C., the USA, No 04/194, 2004.
6. <http://www.migrationinformation.org/datahub/remittances.cfm>
7. R. Adams, Jr.: Remittances, Household expenditure and Investment in Guatemala. Policy Research working Paper. World Bank, Washington DC, the USA 35-32 (2005).
8. R. Adams Jr., J. Page: Do International Migration and Remittances Reduce, Poverty in Developing Countries? World Development, Volume 33, 2005, Issues 10, 45-69.
9. <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/Top10.pdf>
10. J. Bouhga-Hagbe: A theory of workers remittance with an application to Morocco. IMF working Paper, Washington D.C., the USA, No 04/194, 2004.
11. <http://www.ifad.org/remittances/maps/asia.htm>
12. M. Ekanayake, H. Mihalil: Do remittances and foreign direct investment promote growth? evidence from developing countries, Journal of International Business and Economics, 2008.
13. https://docs.google.com/viewer?a=v&q=cache:faiC0K6daawJ:basug.nl/uploads/files/20060422_P39_TDB_Dynamics.pdf+dynamics+of+remittances+utilization+in+Bangladesh&hl=en&gl=sk&pid=bl&srcid=ADGEESh0KEWuHcFwsfA3LXKWbbbiCIVTTJRdURo5Jqnv8J0aMy8uo20cdTkJCo89gYOsWnJv7ehGoUc6VKhNNIhUSgyJp5h-OcEQJgELqefOy55z-DhAsQRxjpAGpkB9GT-ZtL0sPZ6R&sig=AHIEtbQwmjO6V7VwUYyLk32ilIn__laSAw